



# **FREMONT COMMUNITY RECREATION AUTHORITY**

FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2022



Vredeveld Haefner LLC  
CPAs and Consultants

# FREMONT COMMUNITY RECREATION AUTHORITY

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### INDEPENDENT AUDITORS' REPORT

June 26, 2023

Members of the Board  
Fremont Area Recreation Authority  
Fremont, Michigan

#### **Opinions**

We have audited the financial statements of the governmental activities and the major fund of the Fremont Community Recreation Authority (the Authority), as of and for the year ended December 31, 2022, and the related notes to the financial statements, which collectively comprise the Authority's basic financial statements as listed in the table of contents.

In our opinion, the accompanying financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and the major fund of the Authority, as of December 31, 2022, and the respective changes in financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

#### **Basis for Opinions**

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Authority and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

#### **Responsibilities of Management for the Financial Statements**

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America, and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Authority's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

#### **Auditor's Responsibilities for the Audit of the Financial Statements**

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgement made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS, we

- exercise professional judgement and maintain professional skepticism throughout the audit.
- identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Authority's internal control. Accordingly, no such opinion is expressed.
- evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- conclude whether, in our judgement, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Authority's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged in governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

***Required Supplementary Information***

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 3 through 6 and other information on page 21 be presented to supplement the basic financial statements. Such information is the responsibility of management and, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management and the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

*Uredewald Haefner LLC*

## **MANAGEMENT'S DISCUSSION AND ANALYSIS**

# Management's Discussion and Analysis

As management of the Fremont Community Recreation Authority (the Authority), we offer readers of the Authority's financial statements this narrative overview of the Authority's financial activities for the year ended December 31, 2022. We encourage readers to consider the information presented here in conjunction with additional information that is furnished in the financial statements and notes to the financial statements.

## Financial Highlights

- The Authority's primary funding sources are property taxes, membership fees and program fees. Membership and program fees increased \$4,595 and \$12,601, respectively, during 2022.
- The Authority is debt-free with no long-term debt obligations outstanding at year-end.

## Overview of the Financial Statements

This discussion and analysis is intended to serve as an introduction to the Authority's basic financial statements. The Authority's basic financial statements comprise three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements.

### Government-wide financial statements

The *government-wide financial statements* are designed to provide readers with a broad overview of the Authority's finances, in a manner similar to a private-sector business.

The *statement of net position* presents information on all of the Authority's assets and liabilities, with the difference between the two reported as *net position*. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the Authority is improving or deteriorating.

The *statement of activities* presents information showing how the Authority's net position changed during the most recent fiscal year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, *regardless of the timing of related cash flows*. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods.

Both of the government-wide financial statements distinguish functions of the Authority that are principally supported by intergovernmental and fee revenues (*governmental activities*) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (*business-type activities*). The Authority currently has no business-type activities.

### Fund financial statements

A *fund* is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The Authority, like other units of government, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. The Authority utilizes a single governmental fund.

### Governmental funds

*Governmental funds* are used to account for essentially the same functions reported as *governmental activities* in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on *near-term inflows and outflows of spendable resources*, as well as on *balances of spendable resources* available at the end of the fiscal year. Such information may be useful in evaluating the Authority's near-term financing requirements.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for *governmental funds* with similar information

presented for *governmental activities* in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the Authority's near-term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balances, provide a reconciliation to the government-wide financial statements to facilitate this comparison between *governmental funds* and *governmental activities*.

The Authority maintains one individual governmental fund. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and change in fund balance for the General fund which is considered a major fund.

The Authority adopts an annual appropriations budget for its General fund as required by state law. A budgetary comparison statement has been provided as required supplementary information for the General fund to demonstrate legal compliance.

### Notes to the financial statements

The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements.

### Other information

In addition to the basic financial statements and accompanying notes, this report also presents certain *required supplementary information*. This includes this discussion and analysis as well as a budgetary comparison schedule which is provided for the General fund to demonstrate compliance with the annual appropriated budget.

### Government-wide Financial Analysis

**Statement of Net Position** – As noted earlier, net position may serve over time as a useful indicator of the Authority's financial position. At the close of the most recent fiscal year, assets exceeded liabilities by \$3,608,594. The following table represents condensed information about the Authority's financial position for the past two fiscal years.

	<b>Net Position</b>	
	<u>2022</u>	<u>2021</u>
Current assets	\$ 245,265	\$ 181,409
Noncurrent assets	3,396,107	3,486,372
<b>Total assets</b>	<u><b>3,641,372</b></u>	<u><b>3,667,781</b></u>
Current liabilities	17,478	20,008
Deferred inflows of resources	15,300	-
Net position		
Net investment in capital assets	3,396,107	3,486,372
Unrestricted	212,487	161,401
<b>Total net position</b>	<u><b>\$3,608,594</b></u>	<u><b>\$3,647,773</b></u>

Approximately 94% of the Authority's net position is the net investment in capital assets (e.g., land, buildings and improvements and equipment, less any related debt used to acquire those assets that is still outstanding) while the remaining portion (6%) reflects unrestricted net position which is available for future operation. The Authority uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending.

**Statement of Activities** – The Authority’s total revenue for the fiscal year ended December 31, 2022, was \$335,123 while total cost of all programs and services was \$374,302. This results in a decrease in net position of \$39,179.

The following table presents a summary of the changes in net position for the years ended December 31.

<b>Changes in Net Position</b>		
	<u><b>2022</b></u>	<u><b>2021</b></u>
<b>Program revenues</b>		
Charges for services	\$ 126,857	\$ 105,482
<b>General revenues</b>		
Property taxes	155,457	157,617
Rental income	50,701	39,759
Other	2,108	1,249
	<hr/>	<hr/>
<b>Total revenues</b>	<b>335,123</b>	<b>304,107</b>
<b>Functions/program expenses</b>		
Recreation and culture	374,302	345,062
	<hr/>	<hr/>
Change in net position	<b>(39,179)</b>	<b>(40,955)</b>
Net position, beginning of year	3,647,773	3,688,728
	<hr/>	<hr/>
<b>Net position, end of year</b>	<b><u>\$3,608,594</u></b>	<b><u>\$3,647,773</u></b>

During the year the Authority’s property tax revenues decreased as a result of decreased property values. Charges for services revenues and program expenses increased during the year since the Authority was busier in 2022 due to more people using services after COVID-19.

### **Financial Analysis of the Government’s Funds**

As noted earlier, the Authority uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

**Governmental funds** – The focus of the Authority’s governmental funds is to provide information on near-term inflows, outflows, and balances of spendable resources. Such information is useful in assessing the Authority’s financing requirements. In particular, fund balance may serve as a useful measure of the Authority’s net resources available for spending at the end of the fiscal year.

The General fund is the chief operating fund of the Authority. At the end of the current fiscal year, unassigned fund balance of the General fund was \$176,764. As a measure of the General fund’s liquidity, it may be useful to compare unassigned fund balance to total fund expenditures. Unassigned fund balance represents 62% of total General fund expenditures. The total fund balance of the Authority’s General fund increased by \$53,622 during the current fiscal year.

### **Budgetary Highlights**

- Revenues and expenses were budgeted at a conservative level.
- The budget was amended to reflect increased membership fees and rent revenues
- Expenditure budget was amended primarily to reflect increased utility costs and additional maintenance.

## Capital Asset and Debt Administration

**Capital assets.** The Authority's investment in capital assets at year-end amounted to \$3,396,107 (net of accumulated depreciation).

Significant capital purchases during the year consisted primarily of a computer and an air compressor.

The Authority's capital assets (net of depreciation) are summarized as follows:

Land	\$ 200,000
Buildings and improvements	3,185,684
Equipment	<u>10,422</u>
<b>Total</b>	<b><u>\$3,396,107</u></b>

Additional information on the Authority's capital assets can be found in Note 4 of these financial statements.

**Debt.** At the end of the fiscal year, the Authority had no debt outstanding.

## Economic Factors and Next Year's Budget

- The Authority seeks to continue updating and increasing the expansion of program offerings.
- It is anticipated that membership and program revenues will remain consistent.

## Requests for Information

This financial report provides an overview of the current and prospective financial condition of the Authority's operations and financial position. If you have questions or need additional financial information, please contact us at 201 E Maple Street, Fremont, MI 49412 or call or email us as noted below:

Dawn Finch  
Director  
(231) 924-3750  
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## **BASIC FINANCIAL STATEMENTS**

# FREMONT COMMUNITY RECREATION AUTHORITY

## STATEMENT OF NET POSITION

DECEMBER 31, 2022

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	<u>Primary Government Governmental Activities</u>
<b>Assets</b>	
Cash	\$ 143,239
Taxes receivable	84,522
Lease receivable	15,300
Prepaid expense	2,204
Capital assets	
Land	200,000
Depreciable capital assets, net	<u>3,196,107</u>
<b>Total assets</b>	<u>3,641,372</u>
<b>Liabilities</b>	
Accounts payable	13,587
Accrued payroll	2,791
Security deposits payable	<u>1,100</u>
<b>Total liabilities</b>	<u>17,478</u>
<b>Deferred inflows of resources</b>	
Unavailable revenue - leases	<u>15,300</u>
<b>Net position</b>	
Net investment in capital assets	3,396,107
Unrestricted	<u>212,487</u>
<b>Total net position</b>	<u>\$ 3,608,594</u>

The accompanying notes are an integral part of these financial statements.

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# FREMONT COMMUNITY RECREATION AUTHORITY

## STATEMENT OF ACTIVITIES

FOR THE YEAR ENDED DECEMBER 31, 2022

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<u>Functions/Programs</u>	<u>Program Revenues</u>		
	<u>Expenses</u>	<u>Charges for Services</u>	<u>Net (Expense) Revenue</u>
Governmental activities			
Recreation and culture	\$ 374,301	\$ 126,857	\$ (247,444)
<b>Total</b>	<u>\$ 374,301</u>	<u>\$ 126,857</u>	<u>(247,444)</u>
General revenues			
Property taxes			155,457
Rental income			50,701
Interest earnings			190
Other general revenues			<u>1,917</u>
Total general revenues			<u>208,265</u>
Change in net position			(39,179)
Net position, beginning of year			<u>3,647,773</u>
<b>Net position, end of year</b>			<u>\$ 3,608,594</u>

The accompanying notes are an integral part of these financial statements.

# FREMONT COMMUNITY RECREATION AUTHORITY

## GOVERNMENTAL FUND BALANCE SHEET

DECEMBER 31, 2022

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	<u>General</u>
<b>Assets</b>	
Cash	\$ 143,239
Taxes receivable	84,522
Lease receivable	15,300
Prepaid expense	<u>2,204</u>
<b>Total assets</b>	<u>\$ 245,265</u>
<b>Liabilities, deferred inflows and fund balance</b>	
<b>Liabilities</b>	
Accounts payable	\$ 13,587
Accrued payroll	2,791
Security deposits payable	<u>1,100</u>
<b>Total liabilities</b>	<u>17,478</u>
<b>Deferred inflows of resources</b>	
Deferred revenue - leases	15,300
Unavailable revenue	<u>31,006</u>
<b>Total deferred inflows of resources</b>	<u>46,306</u>
<b>Fund balance</b>	
Non-spendable	
Prepaid expense	2,204
Assigned	2,513
Unassigned	<u>176,764</u>
Total fund balance	<u>181,481</u>
<b>Total liabilities, deferred inflows and fund balance</b>	<u>\$ 198,959</u>

The accompanying notes are an integral part of these financial statements.

**FREMONT COMMUNITY RECREATION AUTHORITY**

**RECONCILIATION OF FUND BALANCE ON THE BALANCE SHEET  
FOR GOVERNMENTAL FUND TO NET POSITION OF  
GOVERNMENTAL ACTIVITIES ON THE STATEMENT OF NET POSITION**

**DECEMBER 31, 2022**

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<b>Fund balance - governmental fund</b>	\$ 181,481
Amounts reported for governmental activities in the statement of net position are different because	
Capital assets used in governmental activities are not current financial resources and therefore are not reported in the funds.	
Add - capital assets (net)	3,396,107
Deferred inflows of resources related to property taxes are not available to finance current period expenditures.	
Unavailable revenue	<u>31,006</u>
<b>Net position of governmental activities</b>	<b><u>\$ 3,608,594</u></b>

The accompanying notes are an integral part of these financial statements.

**FREMONT COMMUNITY RECREATION AUTHORITY**

**GOVERNMENTAL FUND  
STATEMENT OF REVENUES, EXPENDITURES  
AND CHANGE IN FUND BALANCE**

**FOR THE YEAR ENDED DECEMBER 31, 2022**

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	<u>General</u>
<b>Revenues</b>	
Taxes	\$ 157,993
Program fees	62,572
Membership fees	57,259
Rental income	50,701
Merchandise and concessions	7,026
Interest	190
Miscellaneous	<u>1,917</u>
<b>Total revenues</b>	<u>337,658</u>
<b>Expenditures</b>	
Current	
Culture and recreation	
Salary and wages	70,767
Supplies	21,452
Repairs and maintenance	45,835
Contracted services	12,591
Insurance	8,839
Merchandise and concessions	4,572
Advertising and community promotion	4,000
Utilities	102,060
Other	<u>13,920</u>
<b>Total expenditures</b>	<u>284,036</u>
Net change in fund balance	53,622
<b>Fund balance, beginning of year</b>	<u>127,859</u>
<b>Fund balance, end of year</b>	<u>\$ 181,481</u>

The accompanying notes are an integral part of these financial statements.

**FREMONT COMMUNITY RECREATION AUTHORITY**  
**RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES**  
**AND CHANGE IN FUND BALANCE OF GOVERNMENTAL FUND**  
**TO THE STATEMENT OF ACTIVITIES**

**FOR THE YEAR ENDED DECEMBER 31, 2022**

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<b>Net change in fund balance - governmental fund</b>	\$	53,622
<p>Amounts reported for governmental activities in the statement of activities are different because</p> <p>Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets are allocated over their estimated useful lives and reported as depreciation expense.</p>		
Add - capital outlay		10,996
Deduct - depreciation expense		(101,261)
<p>Certain assets used in governmental activities are not available to pay current period expenditures and therefore are deferred in the governmental funds.</p>		
Deduct - decrease in unavailable property tax revenues		<u>(2,536)</u>
<b>Change in net position of governmental activities</b>	<b>\$</b>	<b><u>(39,179)</u></b>

The accompanying notes are an integral part of these financial statements.

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# FREMONT COMMUNITY RECREATION AUTHORITY

## NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2022

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### 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting policies of the Fremont Community Recreation Authority (the Authority) conform to generally accepted accounting principles as applicable to governments. The following is a summary of the significant policies.

#### **Reporting Entity**

The Authority serves the City of Fremont (the City) and the Townships of Sheridan and Dayton (the Townships) located within Newaygo County. The Authority provides a broad spectrum of recreational sport and wellness programs and services to the Fremont and surrounding communities that encourages healthy lifestyles and enhance personal development through participation and leadership opportunities.

As required by generally accepted accounting principles, the financial statements of the reporting entity include those of the Authority. There are no component units to be included. The criteria for including a component unit include significant operational or financial relationships with the Authority.

#### **Government-wide and Fund Financial Statements**

The government-wide financial statements (i.e., the statement of net position and the statement of activities) report information on all of the activities of the primary government. *Governmental activities*, which normally are supported by program fees and intergovernmental revenues are reported in total. The Authority has no business-type or fiduciary activities.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment is offset by program revenues. *Direct expenses* are those that are clearly identifiable with a specific function or segment. *Program revenues* include (1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment and (2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Other items not properly included among program revenues are reported instead as *general revenues*.

The Authority maintains only one fund, the General fund, which is reported as a major governmental fund and is used to account for all financial resources of the Authority. The General fund is considered to be a major fund for financial reporting purposes. The Authority does not utilize any proprietary or fiduciary funds.

#### **Measurement Focus and Basis of Accounting**

The government-wide financial statements are reported using the *economic resources measurement focus* and the *accrual basis of accounting*. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Basis of accounting refers to when revenues and expenditures or expenses are recognized in the accounts and reported in the financial statements. Basis of accounting relates to the timing of the measurements made, regardless of the measurement focus applied.

# FREMONT COMMUNITY RECREATION AUTHORITY

## NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2022

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Governmental funds are accounted for using the *modified accrual basis of accounting*. Their revenues are recognized when they become measurable and available. For this purpose, the government considers revenues to be available if they are collected within 60 days of the end of the current fiscal period, except for reimbursement-based grants and interest which use a one-year collection period. Expenditures are generally recognized under the modified accrual basis of accounting when the related liability is incurred. Exceptions to this general rule include: (1) principal and interest on long-term debt and (2) payment for compensated absences, which are recognized when due.

Governmental funds are accounted for on a spending or “flow of financial resources” measurement focus. This means that only current assets and current liabilities are generally included on their balance sheets. Their reported fund balance is considered a measure of “available, spendable resources”.

Governmental fund operating statements present increases (revenues and other financing sources) and decreases (expenditures and other financing uses) in net current assets. Accordingly, they are said to present a summary of sources and uses of “available, spendable resources” during a period.

### ***Budgets and Budgetary Accounting***

Comparisons to budget are presented for the General fund. The Authority follows these procedures in establishing the budgetary data reflected in the financial statements:

1. Prior to January 1, the Director submits to the Board of Directors (Board) a proposed operating budget for the fiscal year commencing the following January 1.
2. Prior to January 1, the budget is legally enacted through a Board motion.
3. Formal budgetary integration is employed as a management control device during the year for the General fund.
4. The budget for the General fund is adopted on a basis consistent with generally accepted accounting principles.
5. Adoption and amendment of the budget used by the Authority is governed by Michigan Law. The appropriations are based on the projected expenditures budget of the various functions of the Authority. Any amendment to the original budget must meet the requirements of Michigan Law. The Authority did not amend its budget during the year. Any revisions that alter the expenditures at the object level within the General fund must be approved by the Board.

### ***Deposits and Investments***

State statutes and Board policy authorize the Authority to invest in:

- a) Bond, securities, other obligations and repurchase agreements of the United States, or an agency or instrumentality of the United States.
- b) Certificates of deposit, savings accounts, deposit accounts or depository receipts of a qualified financial institution.
- c) Commercial paper rated at the time of purchase within the two highest classifications established by not less than two standard rating services and that matures not more than 270 days after the date of purchase.

# FREMONT COMMUNITY RECREATION AUTHORITY

## NOTES TO THE FINANCIAL STATEMENTS

### FOR THE YEAR ENDED DECEMBER 31, 2022

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- d) Bankers acceptances of United States banks.
- e) Obligations of the State of Michigan and its political subdivisions that, at the time of purchase are rated as investment grade by at least one standard rating service.
- f) Mutual funds registered under the Investment Company Act of 1940 with the authority to purchase only investment vehicles that are legal for direct investment by a public corporation.
- g) External investment pools as authorized by Public Act 20 as amended.

#### **Receivables**

Accounts receivable are due from member units of government and/or program participants.

#### **Prepaid Items**

Certain payments to vendors represent costs applicable to future accounting periods and are recorded as prepaid items in both the government-wide and fund financial statements. Prepaid items are accounted for following the consumption method of accounting.

#### **Capital Assets**

Capital assets, which include property and equipment, are reported in the governmental activities column in the government-wide financial statements.

Capital assets are defined by the government as assets with an initial, individual cost of more than \$1,000 and an estimated useful life in excess of one year. Such assets are valued at cost where historical records are available and at estimated historical cost where no historical records exist. Donated capital assets are valued at acquisition value (the price that would be paid to acquire an asset with an equivalent service potential in any orderly market transaction) on the date received.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized. Improvements are capitalized and depreciated over the remaining useful lives of the related capital assets, as applicable.

Depreciation on capital assets is computed using the straight-line method over the following estimated useful lives:

	<u>Years</u>
Buildings and improvements	15-40
Equipment	5

#### **Deferred Outflows/Inflows of Resources**

In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, *deferred outflows of resources*, represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense/ expenditure) until then. The Authority does not have any items that qualify for reporting in this category.

# FREMONT COMMUNITY RECREATION AUTHORITY

## NOTES TO THE FINANCIAL STATEMENTS

### FOR THE YEAR ENDED DECEMBER 31, 2022

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In addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, *deferred inflows of resources*, represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. The Authority reports unavailable lease revenues on both the government-wide and governmental funds financial statements. In addition, the governmental funds report unavailable revenues from property taxes. These amounts are deferred and recognized as an inflow of resources in the period that the amounts become available.

#### **Unearned Revenue**

Both government-wide and fund financial statements report *unearned revenue* in connection with resources that have been received, but not yet earned.

#### **Net Position and Fund Balance Reporting**

Governmental funds report fund balance in the following five categories:

1. Non-spendable – the related asset's form does not allow expenditure of the balance. The assets are either (a) not in a spendable form or (b) legally or contractually required to be maintained intact. Nonspendable fund balance would be equal to inventory, prepaid items, non-current financial assets, and the nonspendable portion of endowments.
2. Restricted – the related assets can only be spent for the specific purposes stipulated by constitution, external resource providers, or as identified in enabling legislation.
3. Committed – the related assets can only be spent for a specific purpose identified by formal resolution of the Authority's governing board.
4. Assigned – the related assets can only be spent for a specific purpose identified by formal resolution of the Authority's governing board. The Board has not delegated authority for the ability to assign fund balance.
5. Unassigned – is the residual classification and includes all spendable amounts not contained in the other classifications.

#### **Net Position and Fund Balance Flow Assumptions**

Sometimes the Authority will fund outlays for a particular purpose from both restricted (e.g., restricted bond or grant proceeds) and unrestricted resources. In order to calculate the amounts to report as restricted – net position/fund balance and unrestricted – net position/fund balance, a flow assumption must be made about the order in which the resources are considered to be applied. It is the Authority's policy to use restricted resources first, then unrestricted resource as they are needed. Further, when the components of unrestricted fund balance can be used for the same purpose, committed fund balance is depleted first, followed by assigned fund balance. Unassigned fund balance is applied last.

#### **Property Taxes**

The Authority levies its property taxes on December 1 which is based on the taxable values as of the preceding December 31. Taxes are considered delinquent on March 1 of the following year. The City and Townships bill and collect the property taxes. The Authority levied .5 mill for July 1 and December 31, 2022.

# FREMONT COMMUNITY RECREATION AUTHORITY

## NOTES TO THE FINANCIAL STATEMENTS

### FOR THE YEAR ENDED DECEMBER 31, 2022

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#### **Risk Management**

The Authority is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The Authority carries commercial insurance to cover risks of losses. The Authority has had no settled claims resulting from these risks that exceeded their commercial coverage in any of the past three fiscal years.

#### **2. EXCESS OF EXPENDITURES OVER APPROPRIATIONS IN BUDGETARY FUNDS**

Michigan law provides that a local unit shall not incur expenditures in excess of the amount appropriated.

In the body of the financial statements, the Authority's actual expenditures and budgeted expenditures for the general fund has been shown at the object level. The approved budget of the Authority for the general fund was also adopted at the object level. During the year ended December 31, 2022, the Authority incurred expenditures in the General fund which were in excess of the amounts appropriated as follows:

	<u>Final Budget</u>	<u>Actual</u>	<u>Variance (Unfavorable)</u>
<b>General Fund</b>			
Contracted services	\$10,500	\$12,591	\$(2,091)
Insurance	8,500	8,839	(339)

#### **3. DEPOSITS**

The balance on the financial statements for cash was \$143,239. This balance was in a financial institution located in Michigan. State policy limits the Authority's deposit options to financial institutions located in Michigan. All accounts are in the name of the Authority and are recorded in Authority records at fair value.

#### **Deposit risk**

*Custodial Credit Risk - Deposits.* Custodial credit risk is the risk that in the event of a bank failure, the Authority's deposits may not be returned. As of year-end, the Authority's entire bank balance of \$152,290 was FDIC insured.

# FREMONT COMMUNITY RECREATION AUTHORITY

## NOTES TO THE FINANCIAL STATEMENTS

### FOR THE YEAR ENDED DECEMBER 31, 2022

#### 4. CAPITAL ASSETS

Capital asset activity for the year was as follows:

	<u>Balance January 1, 2022</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance December 31, 2022</u>
<b>Governmental activities</b>				
<b>Capital assets, not being depreciated</b>				
Land	\$ 200,000	\$ -	\$ -	\$ 200,000
<b>Capital assets, being depreciated</b>				
Building and improvements	3,812,072	-	-	3,812,072
Equipment	4,277	10,996	-	15,273
Total capital assets, being depreciated	<u>3,816,349</u>	<u>10,996</u>	<u>-</u>	<u>3,827,345</u>
Less accumulated depreciation for				
Building and improvements	527,780	98,606	-	626,386
Equipment	2,197	2,655	-	4,852
Total accumulated depreciation	<u>529,977</u>	<u>101,261</u>	<u>-</u>	<u>631,238</u>
<b>Net capital assets, being depreciated</b>	<u>3,286,372</u>	<u>(96,265)</u>	<u>-</u>	<u>3,196,107</u>
<b>Governmental activities capital assets, net</b>	<u><b>\$3,486,372</b></u>	<u><b>\$(96,265)</b></u>	<u><b>\$ -</b></u>	<u><b>\$3,396,107</b></u>

Depreciation expense was charged to functions/programs of the primary government as follows:

<b>Governmental activities</b>	
Recreation and culture	<u>\$101,261</u>

#### 5. LEASE RECEIVABLE

The Authority has entered into a lease arrangement with a Newaygo County Mental Health to lease office space. The terms of the lease are as follows:

The lease was entered into in July 2019 and runs through June 2024 and does not contain any renewals. Currently, the Authority is in the 4<sup>th</sup> year of the lease; current monthly payment of approximately \$850. At the end of the lease term the agreement becomes a month-to-month lease payable at 150% of the current rate.

2023 is the first year of implementation of the new guidance under GASB Statement 87. The authority has recognized a total deferred inflow of resources of \$15,300 in the current fiscal year along with a lease receivable of \$15,300.

## **REQUIRED SUPPLEMENTARY INFORMATION**

**FREMONT COMMUNITY RECREATION AUTHORITY**

**GENERAL FUND  
SCHEDULE OF REVENUES, EXPENDITURES  
AND CHANGE IN FUND BALANCE  
BUDGET AND ACTUAL**

**FOR THE YEAR ENDED DECEMBER 31, 2022**

	<u>Budget Amounts</u>		<u>Actual Amount</u>	<u>Variance Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
<b>Revenues</b>				
Taxes	\$ 145,000	\$ 145,000	\$ 157,993	\$ 12,993
Program fees	40,000	50,500	62,572	12,072
Membership fees	49,500	56,500	57,259	759
Rental income	32,000	41,600	50,701	9,101
Merchandise and concessions	3,500	6,500	7,026	526
Interest	-	-	190	190
Miscellaneous	2,000	2,000	1,917	(83)
<b>Total revenues</b>	<u>272,000</u>	<u>302,100</u>	<u>337,658</u>	<u>35,558</u>
<b>Expenditures</b>				
Current				
Culture and recreation				
Salary and wages	74,500	74,000	70,767	3,233
Supplies	30,000	29,000	21,452	7,548
Repairs and maintenance	35,000	52,500	45,835	6,665
Contracted services	8,500	10,500	12,591	(2,091)
Insurance	8,700	8,500	8,839	(339)
Merchandise and concessions	2,200	5,000	4,572	428
Advertising and community promotion	2,500	4,000	4,000	-
Utilities	95,000	110,000	102,060	7,940
Other	2,500	3,500	13,920	(10,420)
<b>Total expenditures</b>	<u>258,900</u>	<u>297,000</u>	<u>284,036</u>	<u>12,964</u>
Net change in fund balance	13,100	5,100	53,622	48,522
<b>Fund balance, beginning of year</b>	<u>127,859</u>	<u>127,859</u>	<u>127,859</u>	<u>-</u>
<b>Fund balance, end of year</b>	<u>\$ 140,959</u>	<u>\$ 132,959</u>	<u>\$ 181,481</u>	<u>\$ 48,522</u>

**Note to required supplementary information**

**Budgets and Budgetary Accounting**

The Authority adopts an annual budget for the General fund following the GAAP basis of accounting. Unexpended appropriations lapse at year-end.